



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
BATH COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Ray Bailey, Bath County Judge/Executive

Honorable Alfred Fawns, Jr., Former Bath County Judge/Executive

Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Bath County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Bath County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Bath County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Bath County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Ray Bailey, Bath County Judge/Executive

Honorable Alfred Fawns, Jr., Former Bath County Judge/Executive

Members of the Bath County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Bath County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits
- The Annual Budget Did Not Include All Funds
- The County Treasurer's Report And County Judge/Executive's Quarterly Report Should Contain All Funds Of The Bath County Fiscal Court
- The County Should Maintain Timesheets For All Employees
- The County Should Maintain Proper Documentation For All Expenditures

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2000 on our consideration of Bath County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
January 10, 2000

BATH COUNTY OFFICIALS

Fiscal Year Ended June 30, 1999

Ray Bailey	County Judge/Executive
Donald A. Maze	County Attorney
Glen Thomas	County Clerk
Nancy Crouch	Circuit Court Clerk
Randall Armitage	Sheriff
Palmer Crouch	Jailer
Paul Goodpastor	Property Valuation Administrator
Brenda Thomas	County Treasurer
Robbie Powell	Coroner
Vernon Crouch	Commissioner
E. H. Snedegar	Commissioner
Billy Martin	Commissioner

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BATH COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets and Other Resources

Assets

General Fund:

Cash	\$ 102,373
------	------------

Road and Bridge Fund:

Cash	219,870
------	---------

Jail Fund:

Cash	4,065
------	-------

Local Government Economic Assistance Fund:

Cash	21,215
------	--------

Building Commission Fund:

Cash	59,619
------	--------

911 Fund:

Cash	31,490
------	--------

Scattered Site Homebuyer Fund:

Cash	3,433
------	-------

Courthouse Restoration Fund:

Cash	154,411
------	---------

Payroll Account:

Cash	366
------	-----

Other Resources

General Fund:

Amounts to be Provided in Future Years for Health Department Principal	63,000
--	--------

Amounts to be Provided in Future Years for Voting Machines Principal	38,287
--	--------

Amounts to be Provided in Future Years for Xerox Copier Principal	6,702
---	-------

Building Commission Fund:

Amounts to be Provided in Future Years for Bond Principal Payment	274,000
---	---------

Total Assets and Other Resources

	\$ 978,831
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The accompanying notes are an integral part of the financial statements.

BATH COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1999
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

KACO Leasing Trust (Note 5)

Health Department \$ 63,000

Voting Machines 38,287

Xerox Corporation-Copier 6,702

Building Commission Fund:

Bond Payable (Note 4) 274,000

Payroll Account 366

Fund Balances

Reserved:

Building Commission Fund 59,619

911 Fund 31,490

Scattered Site Homebuyer Fund 3,433

Courthouse Restoration Fund 154,411

Unreserved:

General Fund 102,373

Road Fund 219,870

Jail Fund 4,065

Local Government Economic Assistance Fund 21,215

Total Liabilities and Fund Balances \$ 978,831

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BATH COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,890,590	\$ 588,544	\$ 785,195	\$ 45,028
Transfers In	280,232	121,566		91,000
Total Cash Receipts	<u>\$ 2,170,822</u>	<u>\$ 710,110</u>	<u>\$ 785,195</u>	<u>\$ 136,028</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,426,744	\$ 540,765	\$ 549,083	\$ 134,567
Schedule of Unbudgeted Expenditures	150,957			
Transfers Out	280,232	158,665	121,219	
Bonds:				
Principal Paid	21,000			
Interest Paid	14,225			
Lease Purchase Agreements-KACOLT				
Health Department	19,000	19,000		
Voting Machines	3,755	3,755		
Total Cash Disbursements	<u>\$ 1,915,914</u>	<u>\$ 722,185</u>	<u>\$ 670,302</u>	<u>\$ 134,567</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 254,907	\$ (12,075)	\$ 114,893	\$ 1,461
Cash Balance - July 1, 1998	<u>341,568</u>	<u>114,448</u>	<u>104,977</u>	<u>2,604</u>
Cash Balance - June 30, 1999	<u>\$ 596,475</u>	<u>\$ 102,373</u>	<u>\$ 219,870</u>	<u>\$ 4,065</u>

The accompanying notes are an integral part of the financial statements.

BATH COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Building Commission Fund	Economic Development Fund	911 Fund	Scattered Site Homebuyer Fund
\$ 40,461	\$ 119,366 64,309	\$ 14 2,180	\$ 97,049	\$ 27,433
\$ 40,461	\$ 183,675	\$ 2,194	\$ 97,049	\$ 27,433
\$ 34,073	\$ 150,957 21,000 14,225	\$ 2,191 348	\$ 107,799	\$ 24,000
\$ 34,073	\$ 186,182	\$ 2,539	\$ 107,799	\$ 24,000
\$ 6,388 14,827	\$ (2,508) 62,127	\$ (345) 345	\$ (10,750) 42,240	\$ 3,433
\$ 21,215	\$ 59,619	\$ 0	\$ 31,490	\$ 3,433

The accompanying notes are an integral part of the financial statements.

BATH COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Courthouse Restoration Fund	Forest Fire Protection Fund
<u>Cash Receipts</u>		
Schedule of Operating Revenue	\$ 187,500	\$
Transfers In		1,177
Total Cash Receipts	\$ 187,500	\$ 1,177
<u>Cash Disbursements</u>		
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 33,089	\$ 1,177
Schedule of Unbudgeted Expenditures		
Transfers Out		
Bonds:		
Principal Paid		
Interest Paid		
Lease Purchase Agreements-KACOL7		
Health Department		
Voting Machines		
Total Cash Disbursements	\$ 33,089	\$ 1,177
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 154,411	\$ 0
Cash Balance - July 1, 1998		
Cash Balance - June 30, 1999	\$ 154,411	\$ 0

BATH COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Bath County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Building Commission Fund as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Bath County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

BATH COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Bath County Fiscal Court: Bath County Water District and Sharpsburg Water District.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

BATH COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has pledged or provided sufficient collateral, and the depository institution's board of directors or loan committee approved the pledge or provision. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 12, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 0
Uncollateralized and uninsured	<u>661,303</u>
Total	<u><u>\$ 661,303</u></u>

Note 4. Long-Term Debt

Bonds outstanding in the building commission fund are:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
1999-2000	\$ 13,700	\$ 22,000
2000-2001	12,600	23,000
2001-2002	11,450	24,000
2002-2003	10,250	25,000
2003-2004	9,000	26,000
2004-2005	7,700	28,000
2005-2006	6,300	29,000
2006-2007	4,850	31,000
2007-2008	3,300	32,000
2008-2009	<u>1,700</u>	<u>34,000</u>
Totals	<u><u>\$ 80,850</u></u>	<u><u>\$ 274,000</u></u>

BATH COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1999
 (Continued)

Note 5. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

Liabilities of the General Fund are:

Description	Purchase Date	Maturity Date	Interest Rate	Amount Outstanding
KACO Leasing Trust Program:				
Health Department	10/28/1992	2/1/2002	5.126	\$ 63,000
Voting Machines	9/29/1997	11/1/2007	4.250	\$ 38,287
Xerox Corporation:				
Copier	12/1/1997	12/1/2002	*	\$ 6,702

* Cost per Copy Plan

Note 6. Subsequent Events

The Bath County Fiscal Court is currently involved in a pending federal lawsuit filed by five (5) persons who were previously employed by the county under the prior administration. This lawsuit is a wrongful termination action, where these persons are requesting damages for their claim that they were illegally terminated from their jobs when the administration changed on January 1, 1999. The lawsuit is presently in the discovery stages and the outcome at this time is not predictable. The Bath County Fiscal Court is of the opinion that, should these persons win a favorable judgment against the county, the liability carrier would be responsible for paying any such judgment.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BATH COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
General Fund	\$ 542,062	\$ 588,544	\$ 46,482
Road and Bridge Fund	689,877	785,195	95,318
Jail Fund	42,913	45,028	2,115
Local Government Economic Assistance Fund	38,445	40,461	2,016
911 Fund	95,400	97,049	1,649
Scattered Site Homebuyer Fund	996,000	27,433	(968,567)
Courthouse Restoration Fund	750,000	187,500	(562,500)
Totals	<u>\$ 3,154,697</u>	<u>\$ 1,771,210</u>	<u>\$ (1,383,487)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 3,154,697
Add: Budgeted Prior Year Surplus	279,095
Less: Other Financing Uses	<u>(22,755)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 3,411,037</u>

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SCHEDULE OF OPERATING REVENUE

BATH COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 173,055	\$ 173,055	\$	\$
Bank Franchise Deposit	28,127	28,127		
Franchise Fees	56,173	56,173		
Excess Fees - 1998	821	821		
Tangible Personal Property Tax	7,435	7,435		
Advertising Fees	354	354		
County Clerk:				
Deed Transfer Tax	12,283	12,283		
Delinquent Taxes	5,825	5,825		
Excess Fees - 1998	50,648	50,648		
Tangible Personal Property Taxes:				
Other Counties	5,432	5,432		
County Clerk	48,359	48,359		
In Lieu of Taxes:				
Other in Lieu Payments	10,382	10,382		
Totals	\$ 398,895	\$ 398,895	\$ 0	\$ 0
<u>U.S. Treasurer</u>				
U.S. Corp of Engineers- Lake Patrol	\$ 7,475	\$ 7,475	\$	\$
Totals	\$ 7,475	\$ 7,475	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grants - Coordinator Salary	\$ 6,686	\$ 6,686	\$	\$
Appalachian Regional Commission Grants	27,433			

[illegible]

BATH COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Federal Receipts - State Treasurer</u> (Continued)				
Federal Disaster and Emergency Services/Emergency Management Agency Reimbursement	\$ 63,772	\$	\$ 63,772	\$
National Forestry Receipts	11,082		11,082	
Totals	\$ 108,973	\$ 6,686	\$ 74,854	\$ 0

Kentucky State Treasurer

Jail:

Allotments	\$ 33,532	\$	\$	\$ 33,532
Medical Allotments	2,836			2,836
Driving Under The Influence Fees	1,496			1,496
Miscellaneous	600			600
County Road Aid	515,201		515,201	
Truck License Distribution	161,449		161,449	
Operators License	1,016		1,016	
Election Expense Reimbursement	5,610	5,610		
Delinquent Taxes	11,363	11,363		
Courthouse Rental - Administrative Office of the Courts	159,428	43,309		
Refunds:				
Dog License	25	25		
Severance Taxes:				
Coal	39,744			
Grants:				
State Grants (Housing and Urban Development)	15,590		15,590	
Ambulance	5,588	5,588		

BATH COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended JUNE 30, 1999
(Continued)

Local Government Economic Assistance Fund	Building Commission Fund	Economic Development Fund	911 Fund	Scattered Site Homebuyer Fund	Courthouse Restoration Fund
\$	\$	\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0	\$ 27,433	\$ 0
\$	\$	\$	\$	\$	\$

116,119

39,744

BATH COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1999
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u> (Continued)				
Grants: (Continued)				
Disaster and Emergency Services				
Rescue Grant	\$ 4,500	\$ 4,500	\$	\$
Disaster and Emergency				
Assistance Grant -				
Coordinator Salary	4,267	4,267		
Courthouse Restoration (HB 321)	185,000			
Totals	\$ 1,147,246	\$ 74,662	\$ 693,256	\$ 38,464
<u>Miscellaneous Revenue</u>				
Gateway Area Development				
District Rent	\$ 21,000	\$ 21,000	\$	\$
Swimming Pool Receipts	17,111	17,111		
Road Department Rent	18,000	18,000		
Health Department Rent	23,100	23,100		
Insurance Reimbursement	2,033	810	1,223	
Interest	26,943	6,078	12,403	414
Circuit Court Clerk:				
Jail Cost	5,108			5,108
Licenses and Permits:				
Cable T.V. Franchise	706	706		
Telephone Commission	95,478			
Surplus Machinery/Equipment Sales	10,104	10,104		
Miscellaneous Items	8,419	3,918	3,459	1,042
Totals	\$ 228,002	\$ 100,827	\$ 17,085	\$ 6,564
Total Operating Revenue	\$ 1,890,590	\$ 588,544	\$ 785,195	\$ 45,028

BATH COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

Local Government Economic Assistance Fund	Building Commission Fund	Economic Development Fund	911 Fund	Scattered Site Homebuyer Fund	Courthouse Restoration Fund
\$	\$	\$	\$	\$	\$
					185,000
\$ 39,744	\$ 116,119	\$ 0	\$ 0	\$ 0	\$ 185,000
\$	\$	\$	\$	\$	\$
716	3,247	14	1,571		2,500
			95,478		
\$ 716	\$ 3,247	\$ 14	\$ 97,049	\$ 0	\$ 2,500
\$ 40,461	\$ 119,366	\$ 14	\$ 97,049	\$ 27,433	\$ 187,500

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BATH COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
GENERAL FUND			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 56,010	\$ 56,189	\$ (179)
Secretaries	19,230	19,230	
Other Salaries	4,625	4,624	1
Office Materials and Supplies	3,680	3,679	1
Judge Pro-Tem	600	600	
Travel	350		350
Office of County Attorney:			
Salaries-			
County Attorney	10,665	10,665	
Secretaries	2,746	2,746	
Office of County Clerk:			
Office Materials and Supplies	5,500	5,079	421
Printing and Binding	1,233	1,144	89
Tax Bill Preparation	2,340	767	1,573
Board of Commissioners	800		800
Office of Sheriff:			
Tax Settlement	500	500	
Lake Patrol Grant	7,475	7,475	
Gasoline	6,600	5,464	1,136
Supplies	6,936	6,935	1
Postage	2,223	2,212	11
Office of County Coroner:			
Salaries-			
County Coroner	4,930	4,930	
Deputy Coroner	1,987	1,986	1
Fiscal Court:			
Commissioners-			
Salaries	25,336	25,336	
Fiscal Court Clerk Salary	1,290	1,240	50

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
Office of Property Valuation Administrator:			
Statutory Contribution	\$ 8,238	\$ 8,238	\$
Office of County Treasurer:			
Salaries-			
County Treasurer	14,353	14,353	
Office Materials and Supplies	1,084	1,083	1
Checks	666	201	465
County Law Library:			
Law Librarian Salary	633	616	17
Elections:			
Per Diem-			
Election Commissioners	1,600	1,480	120
Election Officers	6,650	6,530	120
Tabulators	150	170	(20)
Supplies	12,000	11,408	592
Economic Development:			
Contribution	727	727	
Courthouse:			
Salaries-			
Janitor	19,194	19,193	1
Materials and Supplies	1,000	843	157
Utilities	12,000	10,851	1,149
Other County Properties:			
Vehicle Repairs	500	103	397
Repairs	500	11	489
Other	1,734	1,415	319
County Vehicle	8,586	8,586	
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	10,000	10,000	

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Disaster and Emergency Services:			
Salaries-			
Director	\$ 17,148	\$ 17,148	\$
Emergency Materials and Supplies	7,800	4,500	3,300
Office Materials and Supplies	5,600	5,448	152
Gas	500	384	116
Ambulance Service:			
Ambulances	6,000	5,588	412
Public Advocacy Program	1,212	1,212	
<u>General Health and Sanitation</u>			
Dog Control:			
Salaries	7,551	7,550	1
Reimbursement	1,872	1,872	
Contract Control	2,000	1,779	221
Dead Animal Disposal	7,680		7,680
<u>Social Services</u>			
Service to Indigents:			
Contribution	960	960	
Program Support	6,000	5,921	79
Cemeteries and Memorials:			
Pauper Burials	1,500	1,500	
<u>Recreation and Culture</u>			
Swimming Pool:			
Temp Workers	10,946	10,945	1
Building Materials and Supplies	400		400
Food	3,200	3,158	42

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Recreation and Culture (Continued)</u>			
Swimming Pool: (Continued)			
Supplies	\$ 3,151	\$ 3,151	\$
Maintenance	1,904	1,903	1
Utilities	2,771	2,771	
<u>Roads</u>			
Road Maintenance:			
Gravel	63,040	63,040	
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements	2,867	2,867	
KACO Leasing Trust Program:			
Health Department-Interest	4,539	3,798	741
Voting Machines-Interest	2,116	1,589	527
Other:			
GADD Rent	21,000		21,000
AOC Rent	43,309		43,309
<u>Administration</u>			
General Services:			
Advertising	4,100	4,120	(20)
Audit	10,879	9,290	1,589
ADD Contributions	1,454	1,454	
Dues	2,410	2,410	
Miscellaneous	1,600	1,478	122
Reserve for Transfer	(24)		(24)
Fringe Benefits:			
County Contributions-			
Social Security	32,354	31,155	1,199
Retirement	39,908	39,908	

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Administration</u> (Continued)			
Fringe Benefits: (Continued)			
Health Insurance	\$ 29,200	\$ 27,788	\$ 1,412
Worker's Compensation	20,000	17,467	2,533
Unemployment Insurance	4,000	2,000	2,000
Total Operating Budget	\$ 635,618	\$ 540,763	\$ 94,855
Other Financing Uses:			
KACO Leasing Trust Program			
Health Department	19,000	19,000	
Voting Machines	3,755	3,755	
Total General Fund	\$ 658,373	\$ 563,518	94,855
<u>ROAD AND BRIDGE FUND</u>			
<u>Roads</u>			
Office of Road Supervisor:			
Road Supervisor Salary	\$ 23,908	\$ 23,908	\$
Road Maintenance:			
Salaries-			
Road Foreman	23,009	21,507	1,502
Road Labor	195,300	194,881	419
Rent	18,000	18,000	
Crushed Stone and Gravel	90,000	76,620	13,380
Gasoline	35,000	26,068	8,932
Machinery and Equipment-	49,720	26,029	23,691
Materials	70,000	48,330	21,670
Pipe	5,000	3,859	1,141
Construction	50,590	31,175	19,415
Bridges	5,000	2,439	2,561

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
<u>Administration</u>			
General Services:			
Advertising	\$ 300	\$	\$ 300
Audit	3,000		3,000
Insurance	17,039	17,139	(100)
Utilities	7,125	5,867	1,258
Contingent Appropriations:			
Miscellaneous	500		500
Reserve for Transfer	8,933		8,933
Other County Liabilities:			
Lease-Purchase Agreements	7,880	7,880	
Distributions to Other Governmental Agencies:			
Transfer to Cities	566	565	1
1/2 National Forest Receipts	8,100	5,541	2,559
Fringe Benefits:			
County Contributions-			
Retirement	14,157	13,071	1,086
Social Security	16,843	16,843	
Health Insurance			
Worker's Compensation	21,468	7,350	14,118
Unemployment Insurance	2,200	2,012	188
Total Road and Bridge Fund	<u>\$ 673,638</u>	<u>\$ 549,084</u>	<u>\$ 124,554</u>

JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$ 20,000	\$ 19,401	\$ 599
Jail Personnel	200		200
Administrative Personnel	1,656	1,655	1

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Office of Jailer: (Continued)			
Association Dues	\$ 50	\$ 50	\$
Staff Training	400	309	91
Routine Medical	9,050	5,413	3,637
Staff Travel	2,400	2,331	69
Housing Prisoners - Other Counties	99,276	83,998	15,278
Utilities	3,930	3,928	2
Repairs-			
Building	917	917	
Equipment	394	289	105
Miscellaneous	200	159	41
Legal	900	900	
Juvenile Detention:			
Juveniles	12,670	12,312	358
<u>Administration</u>			
Fringe Benefits:			
County Contributions-			
Retirement	1,545	1,521	24
Social Security	1,386	1,385	1
Total Jail Fund	<u>\$ 154,974</u>	<u>\$ 134,568</u>	<u>\$ 20,406</u>
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
<u>Bus Services</u>			
Mass Transit	\$ 14,042	\$ 13,972	70

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND (Continued)			
<u>Administration</u>			
General Services:			
Gravel	<u>\$ 39,230</u>	<u>\$ 20,101</u>	<u>\$ 19,129</u>
Total Local Government Economic Assistance Fund	<u>\$ 53,272</u>	<u>\$ 34,073</u>	<u>\$ 19,199</u>
<u>ECONOMIC DEVELOPMENT FUND</u>			
Industrial Development	<u>\$ 8,720</u>	<u>\$ 2,191</u>	<u>\$ 6,529</u>
<u>911 FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Salaries	\$ 66,613	\$ 66,613	\$
Equipment	55,960	29,313	26,647
Supplies	1,283	780	503
Utilities	6,987	4,773	2,214
Social Security	4,900	4,680	220
Retirement	1,500	1,245	255
Training	<u>395</u>	<u>395</u>	
Total 911 Fund	<u>\$ 137,638</u>	<u>\$ 107,799</u>	<u>29,839</u>
SCATTERED SITE HOMEBUYER PROJECT FUND			
Project Expenditures	<u>\$ 996,000</u>	<u>\$ 24,000</u>	<u>972,000</u>
<u>COURTHOUSE RESTORATION FUND</u>			
Courthouse Restoration	<u>\$ 750,000</u>	<u>\$ 33,089</u>	<u>716,911</u>

BATH COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1999
 (Continued)

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FOREST FIRE PROTECTION FUND</u>			
Forest Fire Tax	\$ 1,177	\$ 1,177	\$ 0
Total Operating Budget - All Funds	\$ 3,411,037	\$ 1,426,744	\$ 1,984,293
Other Financing Uses:			
KACO Leasing Trust-			
Health Department	19,000	19,000	
Voting Machines	3,755	3,755	
TOTAL BUDGET - ALL FUNDS	<u>\$ 3,433,792</u>	<u>\$ 1,449,499</u>	<u>1,984,293</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES

BATH COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

<u>Expenditure Items</u>	<u>Building Commission Fund</u>
Salaries	\$ 6,909
Maintenance	1,648
Materials and Supplies	1,159
Utilities	10,881
Repairs	1,078
Remodeling	120,734
Trustee Fees	300
Rural Economic Community Development	7,375
Other	<u>875</u>
Total	<u><u>\$ 150,957</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Ray Bailey, Bath County Judge/Executive
Honorable Alfred Fawns, Jr., Former Bath County Judge/Executive
Members of the Bath County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Bath County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bath County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The County Should Have A Written Agreement To Protect Deposits
- The Annual Budget Did Not Include All Funds
- The County Treasurer's Annual Report And County Judge/Executive's Quarterly Report Should Include All Funds
- The County Should Maintain Timesheets For All Employees

Honorable Ray Bailey, Bath County Judge/Executive
Honorable Alfred Fawns, Jr., Former Bath County Judge/Executive
Members of the Bath County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bath County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bath County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- The Annual Budget Did Not Include All Funds
- The County Treasurer's Annual Report And County Judge/Executive's Quarterly Report Should Include All Funds
- The County Should Maintain Proper Documentation For All Expenditures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 10, 2000

COMMENTS AND RECOMMENDATIONS

BATH COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

NONCOMPLIANCES

1. The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of August 12, 1998, the county had bank deposits of \$661,303; FDIC insurance of \$100,000; and collateral pledged or provided of \$915,000. Even though the county obtained sufficient collateral of \$915,000, there was no written agreement between the county and the depository institution, signed by both parties, securing the county's interest in the collateral. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge's Response:

We agree.

2. The Annual Budget Did Not Include All Funds

The annual budget prepared by the County Judge/Executive did not include all funds of the fiscal court. The Building Commission Fund was not included in the budget. KRS 68.240 states the County Judge/Executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year. We recommend the County Judge/Executive comply with KRS 68.240 by including all funds in the annual budget.

County Judge's Response:

We did not realize we were to include the Building Commission Fund in our original budget. We do not have a problem including it if we are supposed to.

3. The County Treasurer's Report And The County Judge/Executive's Quarterly Report Should Contain All Funds Of The Bath County Fiscal Court

Upon examination of the County Treasurer's annual report, we noted it did not include the Building Commission Fund and the Economic Development Fund. The County Judge/Executive's Quarterly Report did not include the Building Commission Fund. KRS 68.020 states the County Treasurer shall make a full and complete settlement with thirty days after the close of each year. KRS 68.360(2) states the County Judge/Executive shall within fifteen days after the end of each quarter prepare a statement showing cumulative receipts, expenditure, transfers and fund balances. We recommend the County Treasurer and County Judge/Executive comply with KRS 68.020 and KRS 68.360(2) by including all funds in their respective reports.

BATH COUNTY
 SCHEDULE OF COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 1999
 (Continued)

NONCOMPLIANCES (Continued)

3. The County Treasurer's Report And The County Judge/Executive's Quarterly Report Should Contain All Funds Of The Bath County Fiscal Court (Continued)
-

County Judge's Response:

The Economic Development Fund was closed out during the year. We did not realize we needed to include the Building Commission Fund in our reports. We do not have a problem including it if we are supposed to.

4. The County Should Maintain Timesheets For All Employees

During the test of payroll, we noted the only departments maintaining timesheets were the Road Department and 911 Dispatchers. KRS 337.320 states every employer shall keep a record of (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; (c) such other information as the secretary requires. Additionally, KRS 441.225(2) states the Jailer shall submit, in accordance with county payroll procedures, time reports for all full-time and part-time jail personnel and employees to the County Treasurer or other designated payroll official. We recommend the county comply with KRS 337.320 and KRS 441.225(2) by maintaining timesheets for all employees.

County Judge's Response:

O.K.

5. The County Should Maintain Proper Documentation For All Expenditures

During the test of disbursements, we noted several expenditures lacked proper documentation. Maintenance of vendor files with invoices to support expenditures of the various funds is a necessary internal control procedure. We recommend the county maintain invoices for every expenditure of the Fiscal Court.

County Judge's Response:

We believe the invoices in question may have not been properly filed.

PRIOR YEAR FINDING

- The Fiscal Court Has Not Adopted A Budget For The Building Commission Fund As Part Of The Annual Fiscal Court Budget

CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BATH COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

BATH COUNTY FISCAL COURT

The Bath County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer